

Imputed Income Example

Additional Tax Liability for “Non-Dependent” Civil Union Spouse or Domestic Partner

Under federal law, you will have additional tax liability if you enroll your civil union spouse or a domestic partner in an employer-sponsored health plan, unless he/she is your dependent for health plan purposes as defined by the Internal Revenue Code.¹

All employees who elect to cover a “non-dependent” civil union spouse or a “non-dependent” domestic partner will have an additional deduction on their paycheck equal to their personal tax liability on the cost of an individual plan for medical, dental, and vision coverage.

For example, if the cost of the individual plans is as follows:

	<u>Medical</u>		<u>Dental</u>		<u>Vision</u>		<u>Total Cost</u>
<u>Biweekly Cost:</u>	\$200.00	+	\$12.00	+	\$3.00	=	\$215.00

Example: If the tax rate based on the employee’s personal deductions and earnings is 35%, then the employee’s additional payroll deduction would be calculated by multiplying the 35% tax rate times the \$215.00 cost of the individual coverage, which equates to a \$75.25 reduction in take home pay per biweekly check. Thus, the annual employee payroll deductions for health insurance for the domestic partner would be the \$75.25 imputed income biweekly reduction in pay x 26 biweekly paychecks = \$1,956.50.

If you already have a family plan with dependent children and elect to add a “non-dependent” civil union spouse or a “non-dependent” domestic partner to your family plan, you will be taxed on the cost of an individual plan. See the above example.

Note: Beginning in 2006, a provision in Rhode Island law waived the state taxes incurred due to the extension of health coverage to a domestic partner. You will need to apply this state waiver when you file your Rhode Island income taxes to receive the credit.

¹ Section 152, as modified by Section 105(b). Requirements are set forth on the *Certification of Tax Dependent Status for a Same-Sex Spouse* or the *Certification of Tax Dependent Status for a Domestic Partner*, available on line at www.employeebenefits.ri.gov and in your Human Resources Department.